

CALIFORNIA ENERGY COMMISSION1516 NINTH STREET
SACRAMENTO, CA 95814-5512

November 8, 2002

**NOTICE TO
EMERGING RENEWABLES BUYDOWN PROGRAM PARTICIPANTS
AND OTHER INTERESTED PARTIES**

Governor Gray Davis recently signed Senate Bill (SB) 1038 which provides authority for the Energy Commission to continue implementing the Renewable Energy Program (REP), including the Emerging Renewables Buydown Program (ERBP). SB 1038 does not go into effect until January of 2003, and the Energy Commission cannot adopt final REP guidelines until that time. However, the Energy Commission has begun the public process of crafting guidelines and held its initial staff workshop to solicit stakeholder input on November 1, 2002.

At that workshop and by prior notice, REP staff indicated that high demand in the ERBP during 2002 has essentially exhausted funds for most applications as of the end of October of 2002. As a result, there will be a two to three month gap, beginning in November 2002 and ending upon the adoption of guidebooks, during which there is some uncertainty regarding the structure, eligibility requirements, and available funding for the ERBP. At the November 1, 2002 workshop, stakeholders stated that a degree of certainty about program structure along with sufficient notice of expected program changes would be useful for program participants. REP staff are aware of the potentially deleterious effect on ERBP participants of this period of uncertainty, and the Energy Commission is providing this update to assist in reducing concerns and uncertainty in the ERBP marketplace.

There remain, however, several steps in the process of determining the structure of the ERBP. REP staff will send out a draft guidebook outlining the proposed program structure in a few weeks. The Energy Commission's Renewables Committee will then hold a public hearing, and input from that hearing will need to be incorporated into the proposed guidebook. Finally, any proposed changes to the ERBP structure must be formally adopted by the Energy Commission before they can take effect, and by law, this final step cannot happen until January of 2003. At any of these steps, changes to the final program structure may be made. With this clear understanding, we can provide an early indication of what staff intends to recommend to the Renewables Committee in the forthcoming draft ERBP guidebook, with the purpose of minimizing disruption in the continuity of the ERBP marketplace. To that effect, REP staff intends to propose that:

- the revised ERBP structure will continue to be retroactive for systems purchased and installed within 18 months of obtaining a reservation. This would cover any eligible systems that were initiated or installed after October 31, 2002 and not covered by the ERBP in place to that point.

- the revised ERBP structure begin with incentives for small solar photovoltaic systems (< 30 kW) that are in the range of \$3.00 to \$4.50 per rated watt. A cost percentage limit, such as the previous 50% limit, may yield a lower rebate for lower cost systems.
- the revised ERBP structure begin with incentives for small wind systems (< 30 kW) that are in the range of \$1.50 to \$3.50 per rated watt. A cost percentage limit, such as the previous 50% limit, may yield a lower rebate for lower cost systems.
- the revised ERBP structure will be consistent with the goals of providing necessary certainty and planning horizons to ERBP stakeholders, balanced with the need for flexibility to adjust to market conditions.

We hope that these expressions of intent will assist the industry during an understandably difficult transition period from the existing ERBP to a revised ERBP. We intend to include recommendations consistent with the above in the draft ERBP guidebooks that are forthcoming in a few weeks.

Our shared goal is to continue the growth experienced in the last four years in grid-tied solar photovoltaic, small wind, solar thermal, and renewable fuel cell installations in California, bringing with them the benefits and promise for California's energy future of these renewable technologies.

Sincerely,

STEVE LARSON

Executive Director

California Energy Commission